

## GLOBAL DEMOCRACY

### When Israeli venture capital meets social ventures

By Allison Kaplan Sommer September 25, 2005



Proceeds generated from successful company exits have thus far been contributed to twelve Israeli non-profit organizations active in the areas of youth and education.

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What began just three years ago as the brainchild of Israeli venture capitalist Yadin Kaufmann has been translated today into more than \$200,000 that have been distributed to worthy charities in Israel via his organization Tmura.

Kaufman, founding Partner of Veritas Venture Partners, first learned of a program in the United States called the Entrepreneurs' Foundation, a non-profit organization that operates in Silicon Valley, Boston, Austin, Texas and other leading US high tech centers. Its model enables high tech start-ups to give back to the community, through pledging grants of stocks.

Kaufman built Tmura upon the same model. How it works is instead of giving cash to a charity, the start-ups make Tmura and the causes it supports a partner in the company they are trying to build. When they make the pledge, the options they are donating are just pieces of paper. This gives these early-stage high technology companies the opportunity to support important social causes, by donating a small portion of their equity rather than precious cash resources.

When the company hopefully succeeds and makes a successful exit - by being bought by a larger corporation or going to the stock market - that piece of paper becomes money, and can be used to fund education and youth-related charitable initiatives in Israel.

"We're delighted to see Tmura's model begin to prove itself, and to provide funding to a number of terrific charities here, thanks to the strong support of the high tech and venture capital community in Israel. With almost all the active venture funds in Israel participating in Tmura, I hope we can soon get almost every Israeli high tech company to allocate options for charity, via Tmura. It's truly a 'win-win' way to help the community," said Tmura director Kaufman, who lives in Ra'anana.

Kaufman's colleague Baruch Lipner runs the organization from his perch in the heights of Azrieli Towers in downtown Tel Aviv. His office is located in a law firm, which gives the organization office space on a pro bono basis - all of their

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professional services are donated, and their overhead costs come from donations. Lipner came from a business background until he met Kaufman and decided to become a 'social entrepreneur' and help to build Tmura.

Israel, he notes, is the only country to have embraced and adopted this model from the United States. Israel's "uniquely suited", he said, because like Silicon Valley and other areas of the US, it has a high concentration of dynamic and successful high tech start-ups, and asking them to pledge options instead of give traditional donations makes a great deal of sense.

"Normally, the people who are building these early-stage high-technology companies don't have a lot of cash on hand, and are too busy working day and night to build their company to think about charity," Lipner told ISRAEL21c. "The way that we work, their donation doesn't cost them anything when they pledge it - and yet they are able to take on a measure of corporate responsibility for the community even before they see profits and when their company is still tiny. They are taking a risk and we take it with them - we only win if they win."

Currently Tmura's portfolio currently includes 57 Israeli and Israel-related companies that have granted options to Tmura. Of these, Tmura has already successfully exited from five companies - Orckit Communications, MagniFire WebSystems, Phonetic Systems, Native Networks, and ModemArt - generating over \$200,000 for charity via Tmura.

Proceeds generated from these successful exits have thus far been contributed to twelve Israeli non-profit organizations active in the areas of youth and education that are chosen by a committee of Tmura participants. They include:

- \* College4All - enrichment program focusing on students with potential to excel
- \* Kadima - after school youth clubs for children in poor neighborhoods
- \* Latet - a program to teach youth about humanitarian values and the importance of giving
- \* Misholim - expansion of this center's unique group therapy model for children
- \* Rosh Pina Mainstreaming Network - programs to lower the level of violence in schools
- \* Shiur Acher - volunteers from industry delivering lectures in schools

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- \* Summit Institute - support of a tutoring program for foster children
- \* Tel Aviv Rape Crisis Center - an outreach program targeting youth
- \* Yaacov Herzog Center - leadership training program for youth
- \* Yedidim - neighborhood drop-in centers for youth
- \* JVP Community - enrichment programs in poor neighborhoods in Jerusalem
- \* Tzeva - educational enrichment centers in several locations around the country.

"We've decided that our focus will be youth and education - which is something broad enough so that everyone can find their niche within it. When a company wants to earmark its pledge for a certain organization, we allow them to do so, as long as the charity meets our criteria," said Lipner.

Participation in Tmura has become common in the venture capital community. Most of the leading active VCs in Israel are members of Tmura, and encourage the companies in their portfolio to make equity grants to the organization. Law firms and accounting firms are also active in Tmura, providing their services to the organization on a pro bono basis.

"As any hands-on investor will attest, it is truly a gratifying experience to help a start-up company grow to maturity. I'm sure our VC members will concur that in this case, the hands-on involvement of helping Tmura grow to reach this significant milestone has been especially rewarding," Lipner said. He is constantly recruiting the new companies that mushroom in Israel every week to the cause, usually networking through the venture capital firms that bankroll these companies.

When the company makes their successful exit - and their donation - they are able to see the fruits of the contribution they made.

"We like to show the businessmen, when possible to see the projects they are contributing to, so they understand that what they are doing is important," said Lipner.

Like any start-up venture, it wasn't clear from the beginning whether Tmura's concept would flourish in Israel the way it has in the United States. But in fact, it has exceeded expectations.

"Tmura is proving to become one of the most significant philanthropic organizations in the high tech industry in Israel," said Yair Shoham of Genesis Partners, the lead investor of ModemArt, a company whose successful exit contributed to Tmura's coffers.

Ironically, it seems that the companies with social conscience are also those most likely to succeed - currently, the portfolio of companies held by Tmura has a percentage of successful exits that exceeds any VC firm in Israel.

Lipner said that while the Israeli organization doesn't have any official financial or legal ties to the Entrepreneurs' Foundation - the US group that served as inspiration for Tmura, that they have a friendly relationship and regularly exchange information.

"In some cases, when a company has both a US and Israeli presence," he said, "they divide their commitment between the two groups so that both communities can benefit from their future success."

He sees his organization's growth as part of a growing trend of increasing awareness of corporate responsibility to the community in Israel, and more involvement by the private sector in charitable enterprises.

"I definitely think that people are open to it now to the point where they almost expect it," said Lipner. "And organizations like ours make sure that it isn't only the large and secure companies that are involved, but the newer, smaller companies that are taking risks but have great potential for success."


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